



8011-01p
SECURITIES AND EXCHANGE COMMISSION

Proposed Collection; Comment Request

Upon Written Request,
Copies Available From:

U.S. Securities and Exchange Commission
Office of Investor Education and Advocacy
Washington, DC 20549-0213

Extension:

Rule 17g-5

SEC File. No. 270-581

OMB Control No. 3235-0649

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 et seq.), the Securities and Exchange Commission (“Commission”) is soliciting comments on the existing collection of information provided for in Rule 17g-5 (17 CFR 240.17g-5) under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) (“Exchange Act”). The Commission plans to submit this existing collection of information to the Office of Management and Budget (“OMB”) for extension and approval.

The Credit Rating Agency Reform Act of 2006 (Pub. L. No. 109-291) (“Rating Agency Act”), enacted on September 29, 2006, defines the term “nationally recognized statistical rating organization,” or “NRSRO” and provides authority for the Commission to implement registration, recordkeeping, financial reporting, and oversight rules with respect to registered credit rating agencies.

In 2009, the Commission adopted amendments to Rule 17g-5. Rule 17g-5, as amended, imposes additional requirements on NRSROs in order to address concerns about the integrity of their credit rating procedures and methodologies in light of the role they played in determining credit ratings for securities collateralized by or linked to subprime residential mortgages.

Rule 17g-5, as amended, requires NRSROs to disclose and manage certain conflicts of interest. The collection of information obligation imposed by Rule 17g-5 is mandatory for credit rating agencies that are applying to register or are registered with the Commission as NRSROs. Registration with the Commission as an NRSRO is voluntary.

The Rating Agency Act added a new Section 15E, “Registration of Nationally Recognized Statistical Rating Organizations” (15 U.S.C. 78o-7) to the Exchange Act. Exchange Act Section 15E(h)(2) provides the Commission with authority to prohibit, or require the management and disclosure of, any potential conflict of interest relating to the issuance of credit ratings by an NRSRO (15 U.S.C. 78o-7(h)(2)).

Rule 17g-5, as amended, requires the disclosure and establishment of procedures to manage an additional conflict of interest and prohibits an NRSRO from issuing a rating for a structured finance product unless information about the transaction and the assets underlying the rated security are disclosed to certain persons. The Commission estimates that it will take 10 NRSROs approximately 300 hours to develop a system, as well as the policies and procedures, for the disclosures required by Rule 17g-5, resulting in a total one-time hour burden of 3,000.

Rule 17g-5, as amended, also requires disclosures on a transaction by transaction basis. The Commission estimates that the total number of structured finance ratings issued by all NRSROs in a given year would be 14,880 and that it would take 1 hour per transaction to make the information publicly available resulting in a total aggregate annual burden to the industry of 14,880 hours.

Rule 17g-5, as amended, also requires arrangers to disclose certain information. The Commission estimates that it would take 200 arrangers subject to the rule approximately 300

hours to develop a system, as well as the policies and procedures, for the disclosures required by Rule 17g-5, resulting in a total one-time hour burden of 60,000.

Rule 17g-5, as amended, also requires disclosures by arrangers on a transaction by transaction basis. The Commission estimates that 200 arrangers would arrange approximately 20 new transactions per year and that it would take 1 hour per transaction to make the information publicly available, resulting in a total aggregate annual burden of 4,000 hours.

Rule 17g-5, as amended, also requires disclosure of information by arrangers on an ongoing basis that is used by an NRSRO to undertake credit rating surveillance on the structured finance product. The Commission estimates this disclosure would be required for approximately 125 transactions a month, and it would take each respondent approximately 0.5 hours per transaction to disclose the information. Therefore, the Commission estimates that it would take each respondent approximately 750 hours on an annual basis to disclose such information, for a total aggregate annual burden of 150,000 hours.

Finally, Rule 17g-5, as amended, requires NRSROs to submit an annual certification to the Commission. The Commission estimates that it would take each NRSRO approximately 2 hours to complete the certification, resulting in a total aggregate annual burden of 20 hours.

Accordingly, the total estimated burden associated with Rule 17g-5 is 63,000 hours on a one-time basis ($3,000 + 60,000 = 63,000$) and 168,900 on an annual basis ($14,880 + 150,000 + 4,000 + 20 = 168,900$).

Written comments are invited on: (a) whether the proposed collection of information is necessary for the proper performance of the functions of the Commission, including whether the information shall have practical utility; (b) the accuracy of the Commission's estimate of the burden

of the proposed collection of information; (c) ways to enhance the quality, utility, and clarity of the information on respondents; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication.

The Commission may not conduct or sponsor a collection of information unless it displays a currently valid OMB control number. No person shall be subject to any penalty for failing to comply with a collection of information subject to the PRA that does not display a valid OMB control number.

Please direct your written comments to: Thomas Bayer, Director/Chief Information Officer, Securities and Exchange Commission, c/o Remi Pavlik-Simon, 6432 General Green Way, Alexandria, VA 22312 or send an e-mail to: PRA_Mailbox@sec.gov.

Kevin M. O'Neill
Deputy Secretary

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